BUSINESS DEVELOPMENT BANK OF CANADA
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profits

ESSENTIAL INFORMATION FOR ENTREPRENEURS

IN YOUR CORNER

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PASSING THE TORCH

THE RIGHT SUCCESSION PLAN

LANDMARK ACHIEVEMENT

AN ENTREPRENEUR KEEPS HIS PROMISE

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STEELWORKS DESIGN

BDC
Entrepreneurs first

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PRESIDENT AND CHIEF EXECUTIVE OFFICER

A POWERFUL TOOL

A RECENT BDC STUDY FOUND THAT **ADVISORY BOARDS** DELIVER IMPRESSIVE BENEFITS TO SMALL AND MEDIUM-SIZED COMPANIES. YET, FEW ENTREPRENEURS HAVE SET UP A BOARD. WHY?

At BDC, we are convinced that Canada's continued prosperity depends largely on improving the competitiveness of our small and medium-sized businesses.

However, if you're like many entrepreneurs, you may find you don't have the time or expertise to map out the strategic moves necessary to make your company more competitive. This is where an advisory board can help.

Through conversations with entrepreneurs and my own experience as an advisory board member, I have long been convinced of their value as a source of high-quality, affordable guidance for entrepreneurs.

So, you can imagine my delight when this was powerfully confirmed by a recent BDC study. The study found that companies that use advisory boards reap major benefits, including large gains in sales and productivity compared with similar companies that don't have boards. *(I encourage you to read the full report, available at bdc.ca/advisoryboardsstudy.)*

The problem is that only 6% of Canadian small and medium-sized businesses have an advisory board. What's holding entrepreneurs back?

Often, it's a perception that setting up an advisory board is difficult and time consuming. Like any initiative, it does take some effort. But our study shows it's a worthwhile investment. Indeed, almost 86% of entrepreneurs who have an advisory board say it has had an important impact on their business success.

An advisory board encourages you to see the bigger picture and take action to reach your goals. It acts as a sounding board on issues facing your company, bringing to bear varied and complementary expertise. At the same time, an advisory board doesn't have formal decision-making powers or the liability issues of a formal board of directors.

I believe an advisory board can give your business the leg up it needs to compete and win in an increasingly tough marketplace. Isn't it time you took a closer look at this powerful tool? $

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Canada

HOW TO FIND BUSINESS INNOVATION RESOURCES

ARE YOU WONDERING WHERE TO GET HELP WITH YOUR COMPANY'S INNOVATION EFFORTS?

You can find the answers you need by using the Government of Canada's new Concierge Service. It provides small and medium-sized companies with information and guidance in finding innovation programs and resources. As part of the service, concierge advisors, located across Canada, use their industry experience and knowledge to help guide you to the most appropriate services available for your business.

The Concierge Service is delivered by the National Research Council of Canada's Industrial Research Assistance Program (NRC-IRAP), in collaboration with over 40 federal and provincial partners. It can help Canadian businesses in all industry sectors, including companies that are:

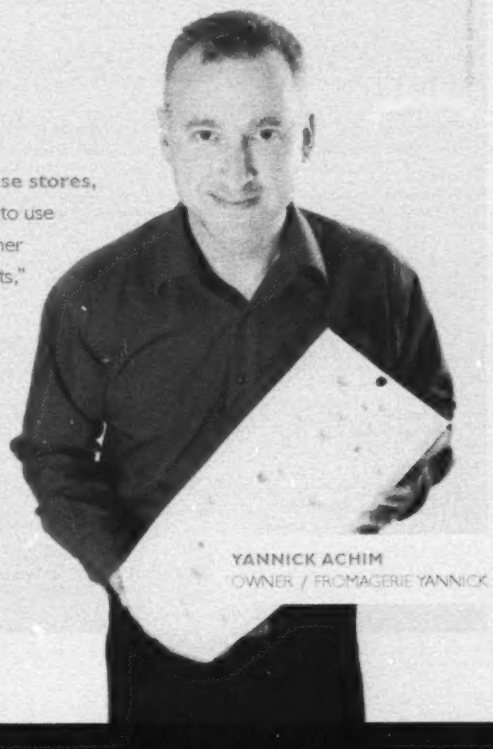
- undertaking research and development
- going through any stage of product and service development (prototyping, manufacturing, testing, etc.)
- seeking productivity gains through the adoption or adaptation of technology
- looking for help accessing funding and advice to support their innovation

Visit the Concierge Service website (www.concierge.portal.gc.ca) to search for and access programs and resources. For more customized assistance, call the Concierge Service Client Contact Centre at **1-855-53-GUIDE**.

MANAGEMENT TIP

PROTECTING YOUR CASH FLOW

Yannick Achim keeps a close eye on cash flow at his chain of six Quebec cheese stores, Fromagerie Yannick. ■ One of the lessons he learned during the last recession was to use term loans instead of his everyday cash to pay for computer systems, cash registers and other equipment. ■ "We had a lot of cash, but it wasn't really a good strategy to use it to buy assets," Achim says. "When the markets slowed in 2008, we didn't have that cash available to us anymore." ■ He adds, "The risk is that when there's an economic slowdown, you might have a hard time paying your suppliers because your money is tied up in assets. You could also miss out on business opportunities." ■ Your working capital is appropriate for short-term, recurring expenses, such as payroll, office supplies and inventory. When purchasing long-term assets, it's often better to protect your cash flow by getting a term loan whose repayment terms match the asset's expected lifespan. ■ For more cash flow management tips, download your free copy of BDC's eBook *Master Your Cash Flow: A Guide for Entrepreneurs* at **BDC.ca/cashflow.**



YANNICK ACHIM
OWNER / FROMAGERIE YANNICK

4 REASONS TO GO INTERNATIONAL

Ready or not, global competition is coming.

Canada is a relatively small market.

Emerging middle class will number 1 billion in developing countries.

Made in Canada brand has strong international appeal.

RECIPE FOR INTERNATIONAL SUCCESS

BE AMBITIOUS
ADOPT A GLOBAL VISION AND GET STARTED RIGHT AWAY. ■ DON'T WAIT UNTIL YOUR PRODUCT IS CANADA PERFECT. ■ MAKE SURE EMPLOYEES AND STAKEHOLDERS ARE ON BOARD.
PLAN
IDENTIFY SUITABLE REGIONS AND REVIEW OPPORTUNITIES. ■ ADAPT YOUR PRODUCT/SERVICE FOR FOREIGN MARKETS. ■ SEEK ADVICE AND CONTACTS FROM GOVERNMENT AGENCIES AND CONSULTANTS.
INNOVATE
PUT INNOVATION AT THE CENTRE OF YOUR BUSINESS STRATEGY. ■ INVEST IN CONTINUOUS IMPROVEMENTS. ■ FOCUS ON A NICHE MARKET TO COMMAND PREMIUM PRICES. ■ PROVIDE A FULLY INTEGRATED SERVICE, NOT JUST A PRODUCT.

INVESTING IN TECHNOLOGY: 6 LOW-COST OPPORTUNITIES

ENTREPRENEURS CAN SOLVE COMMON BUSINESS HEADACHES WITHOUT SPENDING A FORTUNE

Investing in today's business technology can help you solve common challenges and change the way you run your business. Here are six opportunities to improve your business using affordable software.

01 GROW AND MAINTAIN PROFITABLE CUSTOMER RELATIONSHIPS. Are you struggling to keep track of information, such as customer contacts, follow-ups, correspondence, and sales and marketing activities? Customer relationship management (CRM) software can help you capture and organize information about your customers and make it accessible across your company.

02 AUTOMATE INVOICING FOR BETTER CASH FLOW. Falling behind on invoicing can have a disastrous effect on your cash flow, so automating your billing is one of the wisest decisions you can make. There's a wide range of accounting and billing options available to small businesses. Many can speed up their billing even more by using mobile devices and point-of-sale (POS) products to issue invoices and collect payments from customers right on the spot.

03 REDUCE INVENTORY CARRYING COSTS. Inventory management software allows you to track inventory location and movement. It also lets you automatically generate purchase orders when needed and maintain optimal stock levels by purchasing inventory closer to the time it's needed.

04 BOOST SALES WITHOUT ADDING STAFF. Using sales automation software is an effective way to get the most out of your existing sales force. It provides your sales team with tools and data to track leads, respond to customer inquiries, monitor sales performance and collaborate easily.

05 GET YOUR PROJECTS RUNNING ON TIME AND ON BUDGET. If overtime and unforeseen costs are leaving you wondering whether your projects are profitable, it's time to consider project management software. By using it to track schedules, budgets, expenses and time reports, you can take control of your current projects and obtain the information you need before bidding on that next big project.

06 START SELLING ONLINE WITH EASE. Online e-commerce software can provide you with everything you need to set up and run a successful online store at an affordable price. Common features include online storefronts, product catalogues, shopping carts, payment gateways and live inventory tracking.

MAKE THE RIGHT CHOICE

Before investing in technology, it's important to clarify your business objectives and define your technology requirements, in order to ensure the best return on your technology investment. To learn more, visit BDC's Smart Tech section (bdc.ca/smarttech) and, while you're there, download our free eBook *Profiting From Technology: A Guide for Entrepreneurs*.

TECHNOLOGY INVESTMENT PLAN

For small and growing businesses

BDC
Entrepreneurs first

Technology purchasing made easy

> Find the best technology solutions based on your business needs
> Get a technology investment plan with recommendations and areas to prioritize
> Obtain a short-list of technology vendors with two references each
> Receive unbiased advice from BDC's technology consulting specialists

Apply for a Technology loan* to finance the cost of consulting fees.

Call us at 1 888 463-6232
or visit bdc.ca/techinvestment

*Certain conditions apply.

Canada

ADVICE YOU CAN COUNT ON

AN ADVISORY BOARD MAY BE THE BEST-KEPT SECRET FOR IMPROVING YOUR BUSINESS

› *BY DON MACDONALD*

RHONDA AND DONALD BARNET SAY AN ADVISORY BOARD HAS PLAYED A BIG ROLE IN THE SUCCESS OF THEIR BUSINESS, STEELWORKS DESIGN. A BDC STUDY HAS FOUND THEIR EXPERIENCE IS NO ISOLATED CASE. IS IT TIME YOU TOOK ADVANTAGE OF ONE?

DONALD BARNET
PRESIDENT / STEELWORKS DESIGN

RHONDA BARNET
VICE PRESIDENT, FINANCE / STEELWORKS DESIGN

It was a meeting Rhonda Barnet will never forget.

The financial crisis had sent North America's auto industry spiralling toward disaster and automakers were the main customers for Steelworks Design, an industrial machinery company run by Barnet and her husband, Donald.

By October 2008, the crisis had cost Steelworks half its sales for the custom machinery it designs and makes in Peterborough, Ontario. The Barnets found themselves in a desperate fight to save their business. Yet, they resisted what would be the first staff layoffs in the company's history.

"We're a small family business with friendships and relationships inside the company," Rhonda Barnet says. "It was so difficult."

CRISIS FORCES A DECISION

The crisis came to a head that October when the Barnets sat down with their advisory board to look at the situation. All three members of the board had experience as senior executives at other Peterborough companies. Two were retired and the third was still active.

They challenged the Barnets to take decisive action. As Vice President of Finance, Rhonda is also responsible for managing sales, human resources and strategic planning. Donald is President and responsible for the company's operations.

"I was very, very emotional," Rhonda says. "But if we didn't make those decisions, everybody's job was in jeopardy. The advisory board gave us the courage and the strength to go ahead."

The Barnets ended up laying off half the 18 people then working at the company. Steelworks survived and is now on an impressive growth trajectory, almost doubling sales in the last two years to $2.2 million. The staff now numbers 22, including 10 engineers.

A VALUABLE RESOURCE

The advisory board proved to be an invaluable source of advice for the Barnets through the recession and beyond. The board counselled them, for example, on their efforts to diversify their business away from the auto industry. It also helped them improve their financial management and even shop for a new bank.

"I think it's one of the most valuable tools an entrepreneur could use," Rhonda says.

A new BDC study on advisory boards agrees. The study, entitled *Advisory Boards: An Untapped Resource for Businesses*, found that advisory boards produce huge benefits for small and medium-sized businesses, including substantial gains in sales and productivity.

An advisory board is a group of trusted advisors that meets regularly to help you make better business decisions and develop a long-term vision for your business. Unlike a formal board of directors, it has no decision-making powers and carries no legal liability.

A BIG IMPACT

As part of the study (bdc.ca/advisoryboardsstudy), BDC commissioned a survey of entrepreneurs about their experience with advisory boards. Most entrepreneurs (86%) who have an advisory board said it has had "a big impact" on the success of their company. BDC also asked Statistics Canada to analyze a sample of 3,902 BDC clients. It found that companies with an advisory board experienced the following:

› **Stronger sales growth**—In the first three years after an advisory board was established, sales grew 66.8%, compared with growth of 22.9% in the three previous years.

› **Stronger productivity growth**—In the three years after the advisory board was set up, productivity rose an average of 5.9%, compared with 3.2% in the previous three-year period.

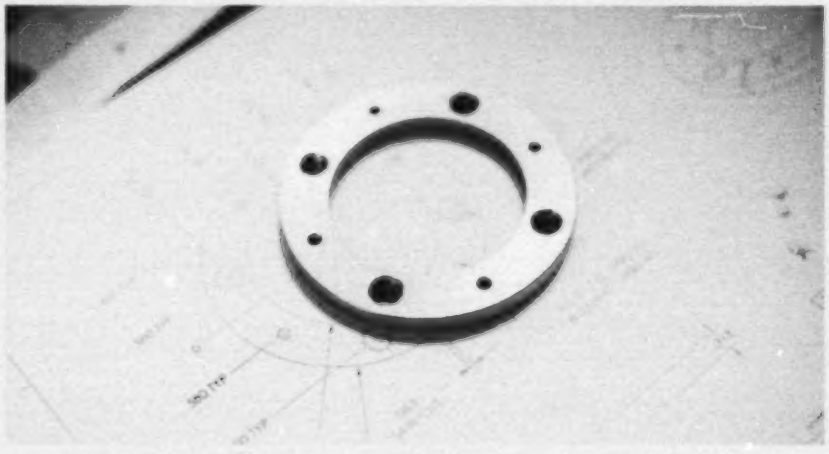
HIGHER SALES AND PRODUCTIVITY

The study also compared companies with advisory boards to a control group of companies that don't have boards but are similar in size, industry, age and region. It found that, from 2001 to 2011:

› **Annual sales of businesses** with an advisory board were 24% higher on average than those of the control group during the period.

› **Productivity** (as measured by the ratio of sales to the number of employees) was 18% higher on average for the group of businesses with advisory boards.

Despite the benefits, the study found that just 6% of Canadian small and medium-sized businesses have an advisory board.



INDEPENDENT ADVICE

The conclusion is clear, says Jean-René Halde, BDC's President and CEO. More entrepreneurs should set up an advisory board for their business.

"The benefits of having good-quality, independent advice from well-respected, experienced individuals is clear," says Halde, a long-time advocate for advisory boards.

The BDC study indicates that one important concern for entrepreneurs is that establishing a board will be a difficult and time-consuming process. Halde acknowledges there is effort involved, but argues it's time and energy well spent, given the benefits.

At Steelworks Design, Rhonda Barnet was first introduced to the idea of an advisory board by a lawyer for the company, who helped her find a pair of local senior executives. They were willing to participate out of a desire to help a Peterborough business succeed. Barnet's mentor—her boss in a former job—rounded out the line-up.

WORKED FOR LUNCH

The board agreed to meet quarterly with the Barnets for half a day. They worked for the price of lunch.

At each meeting, the group would review elements of the company's strategic plan, including business development, financial management and human resources issues.

> "WE ALL NEED TO BE HELD ACCOUNTABLE."

(Two members have left the board. The Barnets continue to receive advice from the third member and plan to reconstitute a larger advisory board this year.)

For Rhonda, advisory board meetings are often an exercise in being held accountable for the things you know you should be doing or have promised you would do.

"It just creates a discipline to look at the metrics of the company more formally and see if your efforts are really in the right areas. It's easy to say that you're going to do things as an owner, but we all need to be held accountable. It makes us better."

HELP WITH TOUGH DECISIONS

The other important benefit is bringing different perspectives to bear on complex decisions, especially when trouble strikes.

"It's a little bit lonely at the top sometimes," she says. "You don't have a big team to help you make the decisions and support the decisions. So that's where an experienced advisory board can really help."

Steelworks, a client of BDC Financing and Consulting, creates custom machinery for a diverse list of large customers including General Electric, Hitachi, Siemens, Rolls-Royce and PepsiCo. Exports make up about 30% of its sales.

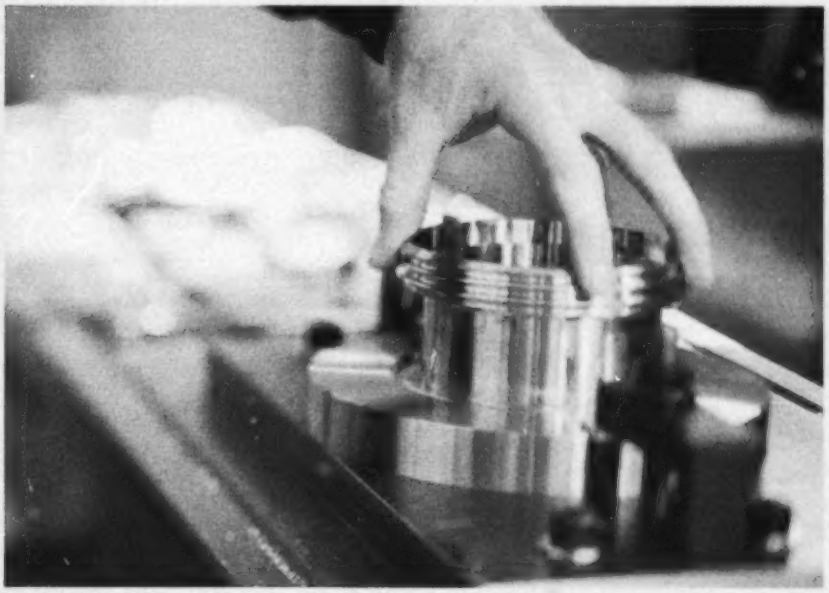
LOTS OF GROWTH AHEAD

Barnet says the company has "some amazing opportunities" ahead of it and believes the company could grow to $10 million in sales in the coming years.

An advisory board will be a big part of making that happen.

"It helps you to grow into a bigger vision and mission for your company," she says. "If we hadn't initiated a board and grown in this way, we probably would have been a $1-million company forever, a Ma and Pa shop.

"That's not where we're going." $



3 ADVISORY BOARD TIPS FOR ENTREPRENEURS

1 When setting up your advisory board, seek out members who have a range of skills that complement your own and have a genuine interest in your business's success. From your network of contacts, consider who might make a good board member or be able to refer someone. Retired business executives are frequently interested in contributing their experience, wisdom and advice.

2 Look for board members who are independent so you can get advice that's not coloured by personal interests. Also, work for an atmosphere of trust and openness by not withholding information or delivering it at the last minute.

3 Keep an open mind to the differing perspectives of board members and challenges to your point of view. "As entrepreneurs, we'll sometimes make decisions that are very isolated," says Rhonda Barnet, Vice President, Finance at Steelworks Design in Peterborough, Ontario. "An advisory board really helps you open up and think about other aspects around your decision-making."

TURNING THE PAGE

HOW TO EXECUTE A SUCCESSFUL TRANSITION

› *BY ALINA PAHONCIA*

Twenty years after building lg2 into one of the largest and best-known integrated advertising firms in Quebec, the company's founders were starting to think about the future of their company.

Sylvain Labarre started lg2 with Paul Gauthier in 1991 and, five years later, Gilles Chouinard joined them. By 2007, all three were in their 50s and lg2 had grown to a 100-employee advertising powerhouse.

After achieving so much, Labarre, 57, admits it was difficult to think about turning the page. "For sure, it's not easy. But you have to let go sometime," he says. "So we

AT LG2, A SUCCESSFUL MONTREAL AD AGENCY, THE OWNERS HAVE BEEN WORKING ON A SUCCESSION STRATEGY FOR YEARS. WITH BABY-BOOMER ENTREPRENEURS HEADING FOR THE EXITS, A GOOD TRANSITION PLAN FOR YOUR BUSINESS IS ESSENTIAL.

decided to set up a transition plan."

The three partners began the process by meeting with international agencies interested in purchasing lg2—an option they quickly discarded.

SALE IDEA REJECTED

"We would, of course, have made more money. But we risked losing jobs in Quebec, as well as our organizational culture," Labarre says. "The big agencies are accountable to shareholders and have to meet financial targets every quarter. We don't work like that."

Instead, the owners decided to sell lg2 to the next generation of managers. They set up a 10-year plan that involved taking on new partners and in the process reducing the founders' ownership interest.

"Our goal was to ensure the business's continuity, keep it independent and secure the jobs," Labarre says. "We wanted to keep full control over the quality of our product."

Hundreds of thousands of Canadian business owners will soon be faced with the same kind of decisions as the baby-boom generation of entrepreneurs gets set to retire. According to Statistics Canada, 60% of Canadian business owners are 50 or over. That works out to more than 600,000 of the country's 1.1 million entrepreneurs.

MANY NOT PREPARED

However, only 9% of small and medium-sized business owners have a formal succession plan in place, according to the Canadian Federation of Independent Business.

Not having a plan poses many risks. The first is that the firm will be sold for a low price, jeopardizing what is often the entrepreneur's retirement nest egg. In addition, a poorly planned transfer can weaken a company, threatening its continued existence.

At lg2, the transition planning is bearing fruit. The company is now well on its way to a smooth succession, seven years after the process began.

"The founding partners shared with us their totally normal concerns about letting go of their baby," says Mathieu Roy, Vice President and Managing Director, and one of the firm's senior partners. "As successor partners, we need to be respectful of those who launched the company. On the other hand, we also needed to do things our way."

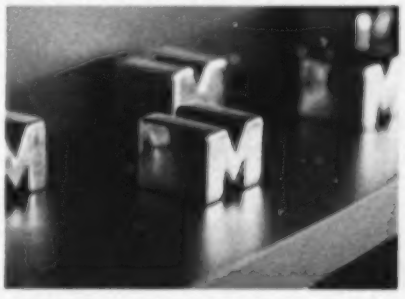
RETURNED TO COMPANY

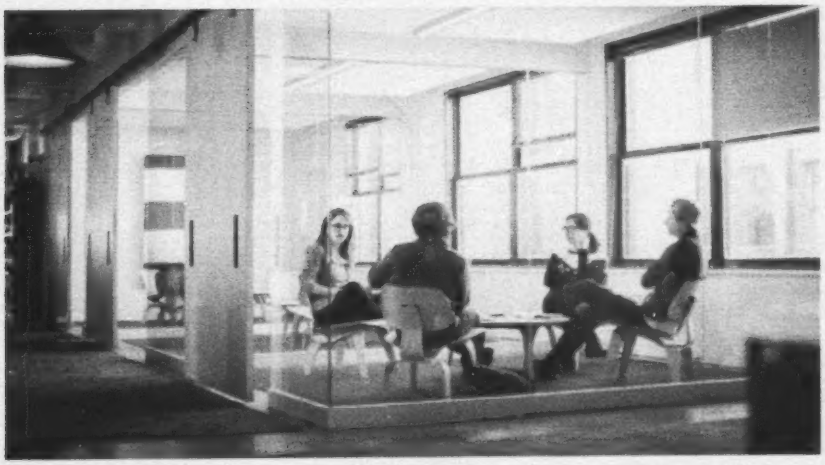
Roy, 42, started his career at lg2 in the early '90s. He came back in 2007 when the succession process was in full swing, after spending about a decade at another advertising firm.

"Many of the successor partners joined lg2 between 2005 and 2009," says Roy. "We got to choose each other the same way the founders did more than 20 years ago."

Lg2's three founders first drew up a list of criteria to identify the right type of person to become a partner. It took into account such factors as age, talent, modesty, entrepreneurial spirit and leadership skills. They also required partners to have worked at lg2 for at least two years before buying an ownership interest.

After the first five years of the plan, the successor partners had become majority owners. By year 10, the three founders will sell what remains of their shares to them.





FROM MANAGER TO COACH

Lg2 hasn't skipped a beat through the transition—a major achievement for a company whose client list includes Bell Canada, Desjardins, Ultramar, Agropur, the Société de l'assurance automobile du Québec and Loto-Québec.

The keys to success have been collaboration, openness, sharing of values and beliefs, and communication between the founders and a new generation of owners, Roy says.

The three founders gradually went from being managers to coaches. The successor partners took the reins of the company while relying on the founders for their vision and experience.

Another essential ingredient in the success of the transition was the support of a team of advisors who guided lg2 throughout the process.

WORK WITH ADVISORS

"We worked a lot with our lawyers, bankers and tax specialists, and also with a transition specialist, to ensure we had a clear agreement with our partners," Labarre says. "BDC Subordinate Financing came to the table and we immediately felt that they had a genuine interest in our group. That's what clinched it for us when we were looking to finance the buyout."

Josée Latourelle, Manager, BDC Subordinate Financing, says entrepreneurs who are thinking about retiring should work with buyers and financial institutions to find a financing solution that provides maximum repayment flexibility. It's also important for buyers to maintain a debt ratio that allows them to continue to invest in the company's growth.

"Regardless of the transition option—transfer to a successor, management buyout or sale to a third party—it's important that the financing structure be flexible and that debt not strangle the company," says Latourelle, who worked with lg2's partners on financing the transition.

ONGOING DIALOGUE

It's also important to share as much information as possible about the transition with key stakeholders, including employees and customers, who will naturally be concerned about the business's future.

Lg2 management gives annual updates on the transition to the firm's employees, a group whose number has grown to 215. Executives also keep key clients informed of important developments.

"Moreover, at least one partner is part of each team working with our clients," Roy says. "Doing business directly with the agency's owners is very reassuring in a business relationship."

> "WE'RE ALL PULLING IN THE SAME DIRECTION."

A WINNING FORMULA

In addition to ensuring the company's continuity, bringing in a group of new partners has acted as a powerful growth accelerator at lg2.

The company doubled its sales to $27 million in the five years to the end of 2013. It has become the top Quebec ad firm in terms of local and international awards, including three Cannes Lions in 2013.

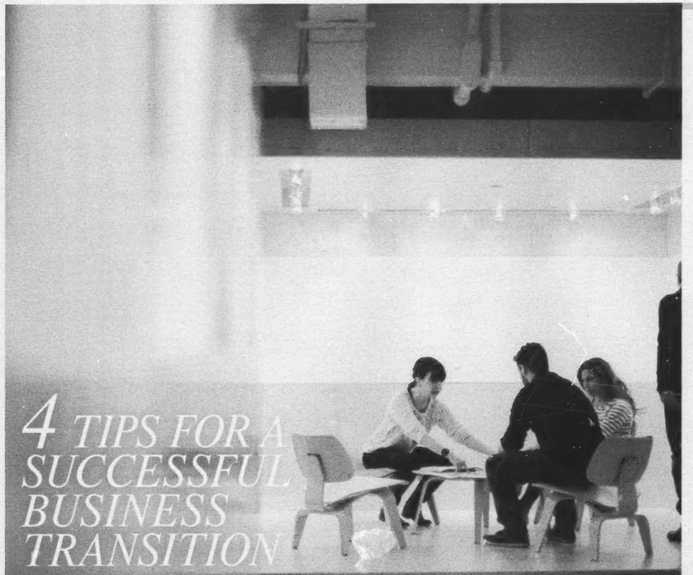
"Multiplying the number of partners has been like a shot of adrenalin for the company," Labarre says. "People want to succeed, because it's their company."

NEXT STEPS

With a third of its business outside Quebec, the next step for lg2 is to open an office in Toronto this year.

For Roy, the success of the transition has been based on passing lg2's strong values and "DNA" from one generation to the next.

"Sometimes our way of doing things is a bit different than the founders'. But we share the same vision—the progress of lg2. We're all pulling in the same direction." $



4 TIPS FOR A SUCCESSFUL BUSINESS TRANSITION

01 **START TALKING ABOUT IT** Put all the options on the table and examine them closely to decide which one best meets your needs. The most-often used strategies are transfer to a successor, management or employee buyout, or sale to a third party.

02 **PLAN THE SUCCESSION** A good transition plan maximizes the value of your company and minimizes the risks. You should draw up a plan at least two years before the sale, ideally longer.

03 **SURROUND YOURSELF** with the right people and find the right financing. This is one of the most important times in your life as an entrepreneur. Make sure to find experienced professionals—lawyers, accountants, consultants and bankers—who can guide you through the transition.

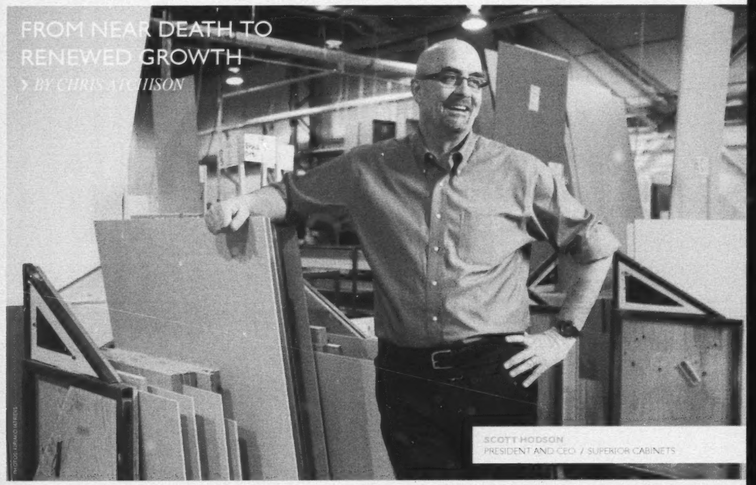
04 **COMMUNICATE WITH ALL STAKEHOLDERS** Keep the lines of communication open with your employees, clients and suppliers at all times. They too have a stake in a successful transition.

ENTREPRENEURS FIRST

MANUFACTURING A COMEBACK

FROM NEAR DEATH TO RENEWED GROWTH

› BY CHRIS ATCHISON



SCOTT HODSON
PRESIDENT AND CEO / SUPERIOR CABINETS

SUPERIOR CABINETS HAS COME BACK STRONG FROM A BRUSH WITH FINANCIAL DISASTER. THERE ARE LESSONS FOR EVERY ENTREPRENEUR IN THE COMPANY'S DECISIVE ACTION.

Putting a new kitchen into your house is one of the most expensive and stressful experiences in the life of a homeowner. But what if you could work with a professional designer, load your design into a computer and see what your new kitchen would look like on a two-metre-high screen? What if you could virtually change the counters, cabinets and other features until you were completely satisfied?

That's the kind of Wow! customer experience Superior Cabinets was looking for when it spent $400,000 to outfit its stores in Saskatchewan and Alberta with virtual showrooms.

The virtual showrooms were just one of the bold moves the Saskatoon manufacturer of kitchen cabinets made as it struggled to survive a near-death experience during the last recession.

CUTS WASTE

Among other changes, Superior transformed its manufacturing processes to speed production, cut waste and boost profits. For example, the company introduced software that allows its sales staff to design a kitchen with customers and send the order directly to the factory.

"Now, no one touches an order," says Scott Hodson, Superior's President and CEO. "We eliminated all of the non-value-added costs that customers weren't prepared to pay for."

Tough decisions and more than $2 million in timely investments have paid off. The company is now solidly profitable and posted sales of more than $41 million in 2013, up from $28 million in 2009. It has also doubled its store count in Saskatchewan and Alberta to six and is on track to reach $45 million in sales in 2014.

Superior's transformation is an example of how Canadian manufacturers are changing to become more productive and customer focused in the face of intensifying competition at home and abroad.

A leaner Canadian manufacturing sector looks well positioned to take advantage of economic growth in North America and beyond. *(Read more in Pierre Cléroux's column on page 23.)*

RADICAL CHANGE NEEDED

When Hodson joined Superior in 2008, he and the new leadership team knew the company needed radical change to survive.

Amid falling sales, the company posted a large loss in 2009, leading its primary lender to pull its line of credit. That's when BDC's Business Restructuring Unit stepped in to help the company devise a turnaround plan.

Superior started the turnaround by spending more than $1 million to map every process from initial customer contact to kitchen design and installation.

That initiative helped the company reduce the number of software systems it was using to two from a whopping 17, and slash its administrative staff by more than two-thirds. Those cuts were just part of a painful restructuring that saw the employee head count almost halved to 200 employees.

"We had to downsize. We had to reinvent our company and build it around our customers," Hodson says.

A TURNAROUND PLAN

BDC's Business Restructuring Unit allowed the company to postpone its principal payments on BDC loans. It also made concessions on Superior's sale of non-core assets and provided an operating-line-of-credit guarantee that allowed the company to better manage its cash flow, execute the restructuring plan and secure a new line of credit.

Five years later, the company has returned to sustainable profitability and is fully on side with lenders. The employee count has risen to 250.

"Superior has transformed itself into a knowledge-based business focused on client value. That's the way forward for Canadian manufacturers," says Eric Bisson, BDC Director of Business Restructuring for Western Canada, who worked closely with Superior to support the company through its transformation.

It wasn't an easy road. The company spent months speaking to its home builder and home owner customers about their needs and expectations.

TRACKS CUSTOMER SERVICE

In response, the firm began tracking a series of service performance measures—including quality control, on-time delivery and other

key performance indicators. It built an online portal where staff could monitor how their customers' orders were progressing and see real-time service statistics.

A dedicated project team worked with an external software provider to develop the virtual showroom feature.

Hodson says that technology helps his sales staff remove much of the anxiety home owners feel when making what may be a once-in-a-lifetime decision on a kitchen upgrade. Most importantly, it was technology that none of his competitors were using at the time.

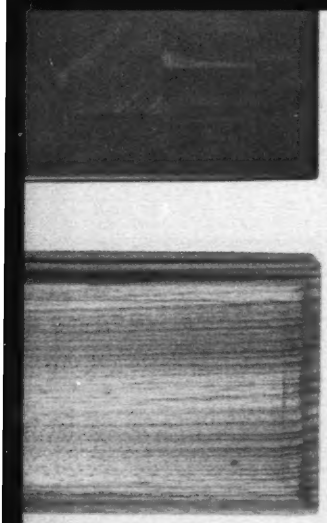
Moves such as these have positioned Superior to hit its growth targets by acquiring new customers and expanding into new product lines, such as bathrooms, laundry rooms, family rooms, entertainment spaces and closets.

A SCALABLE BUSINESS

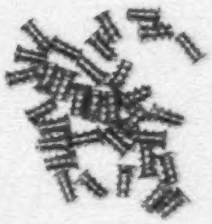
"Under their new model, they can grow the company as much as they need to," Bisson says. "It's a scalable business model, not bound by conventional bricks and mortar."

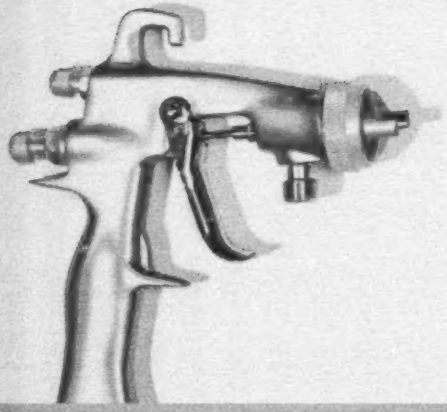
Hodson's plan is to grow Superior's market share in Alberta, which currently stands at less than 10%, while continuing to increase its 35% share of the kitchen cabinet market in Saskatchewan. Doing so means constantly looking at the bottom line and automating processes.

"If you're dependent on manual, traditional ways of doing things, you can't scale your business," Hodson says. "That's why we needed to focus on automation and logistics."

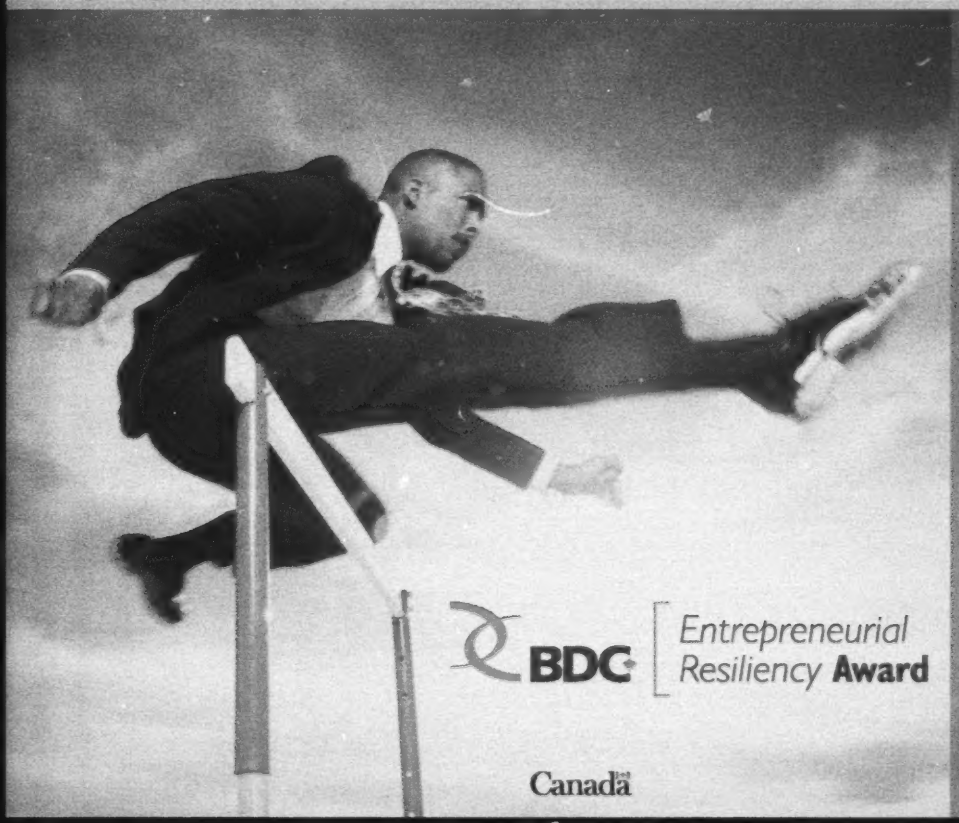


LESSONS LEARNED





01 **CONSIDER THE IMPACT OF MAJOR ORGANIZATIONAL CHANGE ON YOUR EMPLOYEES.** "IT WAS INITIALLY VERY CHALLENGING FROM A CULTURAL PERSPECTIVE, BUT THE CRISIS OF THE RECESSION MADE PEOPLE REALIZE THEY HAD TO DO SOMETHING," SAYS SCOTT HODSON, PRESIDENT AND CEO OF SUPERIOR CABINETS. "THE REASON WE GOT THROUGH IT WAS BECAUSE OUR PEOPLE EMBRACED THE CHANGE." 02 **GIVE EMPLOYEES A STAKE IN YOUR COMPANY'S SUCCESS.** "I SHARE FINANCIAL INFORMATION WITH OUR EMPLOYEES TWICE ANNUALLY AND WE'VE JUST IMPLEMENTED A PROFIT-SHARING PLAN FOR 2014," HODSON SAYS. 03 **LISTEN TO YOUR CUSTOMERS.** SUPERIOR CABINETS SPENT MONTHS CONSULTING WITH CUSTOMERS ABOUT KEY ELEMENTS OF ITS CLIENT EXPERIENCE AND GROWTH STRATEGY. 04 **BE PREPARED TO INVEST IN CHANGE.** SUPERIOR CABINETS SPENT UPWARD OF $2 MILLION STREAMLINING PROCESSES AND INTRODUCING CUSTOMER-FRIENDLY TECHNOLOGY TO ITS KITCHEN SHOWROOMS AND MANUFACTURING FACILITIES.



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ROBERT RISLEY
OWNER / WHITE POINT BEACH RESORT

SAVING A LANDMARK

ROBERT RISLEY REBUILDS A HISTORIC RESORT

In the mid-1970s, when engineer Robert Risley couldn't find a restaurant he liked in Halifax, he decided to open one himself. That was the beginning of what has become a four-decade career in the hospitality business. He has owned multiple restaurants in Halifax over the years, adapting to meet changing consumer tastes and trends. Today, his company, RCR Hospitality Group Limited, has seven Halifax restaurants, as well as the area's largest catering business. It includes management of the Cunard Centre at Pier 23, which can host up to 4,000. In 1988, he became an owner of the White Point Beach Resort in Queens County. Then, in 2011, the main lodge was destroyed by fire. Risley, a BDC Financing client, promised to rebuild in a year, although he was told it couldn't be done. He did it and in the process proved once again that it doesn't pay to bet against this entrepreneur.

I graduated from the Technical University of Nova Scotia in 1965 in mechanical engineering and got a job with Alcan in Montreal right away. After nine months, I decided working for a big corporation was not for me. I moved back to Halifax and began my own specialty construction products company. That company, which I have in partnership with another chap, is still thriving.

In the mid-'70s, I decided to get involved in the restaurant business because there were very few good places to dine in Halifax. I thought the business would be easy if you had a love of food. But that is far from the case. Over the years I've had a great many restaurants, some successful, some not.

When we open a restaurant, we always try to fill gaps in the market. You have to be able to change quickly to follow customer tastes. Over the last 20 years, the dining public in this area has become much more astute and critical. I attribute that to people travelling more. They see what is happening in other parts of the world and expect to find the same things here.

The restaurant business has been tough since the economic meltdown in 2008. Our costs continue to escalate every year, particularly for utilities and labour, but we're not able to increase our menu prices because people are so cost conscious.

That means we have to be as efficient as possible. We've been fairly successful doing bulk buying because of our size, but can't compromise on food quality or service.

In 1988, a good friend and I and a third partner put together some financing and bought the White Point Beach Resort, a Nova Scotia institution that started in 1928. We expanded it through the help of the Atlantic Canada Opportunities Agency, built a new conference centre and opened the property year round.

At that time White Point Beach Resort was like an old boat that you throw money into. One by one, my partners decided that it was too much for them. But I was determined to see it through.

BDC has helped us a lot. With White Point, they proved to be very flexible when we asked if we could modify the repayment terms of a loan or hold off on principal payments for a few months. They were always very supportive because they understood the cyclical nature of our business.

We put together a design-and-build team that was on board with my vision and my timeline, and we pulled it off in record time. We hired craftspeople from the immediate area as much as possible and brought in some contractors from Halifax.

We have a wonderful marketing person at White Point who was able to engage everybody during our construction. We had tens of thousands of followers on Facebook and we had a construction webcam. You could log in and actually watch the lodge being built.

> “I COULDN'T GO DOWN IN HISTORY AS THE ONE WHO PUT AN END TO A NOVA SCOTIA INSTITUTION.”

On November 8, 2011, there was a fire in the main lodge of White Point. It was very devastating to everybody concerned—to the 160 people who worked there and to me. The question of whether to rebuild was the source of much discussion between my wife and me. But when it came down to it, I couldn't go down in history as being the one who put an end to a Nova Scotia institution and cause untold hardship to the lives of so many wonderful people.

I had a vision for the rebuilding, but I also had constraints. There was only a certain number of dollars, and I was bound and determined to have it open again within a year. Everyone told me that was impossible, which just made me want to do it more.

freshened up. The response has been amazing.

You have to have a global view these days. We travel a lot to research what is going on in other parts of the world. If you only look at what is going on in your area, you won't be able to keep abreast of the times.

People were concerned about what would happen to the wild bunnies that have always been a popular attraction at White Point. We put stories on Facebook about how the construction workers looked after the bunnies and protected their burrows and brought them food. So we added a human interest angle.

In conjunction with the rebuilding of the main lodge, we arranged financing to renovate the existing cottages on the property. When we opened we not only had a brand-new main lodge, but our other facilities were nicely

In my early days, the only way to find interesting concepts and menus in the restaurant business was to go to restaurants in different cities and steal the menu. Nowadays you can just print them off the Web, but that takes a bit of the fun out of it.

The Internet and social media have had a huge impact on our business. They allow us to engage people in our operations. That's particularly true of White Point. We still have our live webcam. You can look at the beach and listen to the ocean.

There's always room for improvement. I don't think you can ever sit on your laurels and say things are exactly the way you want them to be. If you don't continue to improve, you end up falling back. We work hard every day to try and make things better and more efficient.

I've always known how to hire good people. I think it is the key to any business. When you provide good people with your vision, you find out which folks can help you grow the business the way you feel it should be grown. I've been lucky to associate myself with some wonderful people over the years and they have been instrumental in growing the business to where it is today. One of the best decisions I made was to bring my senior people in on an equity basis.

When starting out, entrepreneurs should make sure their chosen field is a sound one and put together a good business plan. And then you just have to trust in your intuition and make that leap. It has worked out for me more times than not. $

AS TOLD TO **LOIS CARSON**

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A SEASON OF RENEWAL

THE GLOBAL MANUFACTURING SECTOR HAS BEEN MAKING A LOT OF NEWS LATELY AMID INDICATIONS THAT PRODUCTION IS BEING "RESHORED" TO DEVELOPED ECONOMIES. WHAT DOES THE FUTURE HOLD FOR CANADA'S MANUFACTURERS?

PIERRE CLÉROUX
BDC CHIEF ECONOMIST

By any measure, it's been hard times for Canadian manufacturers since the Great Recession descended on the world in 2008–09. By 2012, half a million manufacturing jobs had been lost in Canada compared with a decade earlier, as hundreds of factories closed down.

This spring, however, green shoots of renewed growth are finally appearing after the long winter of the last five years.

Hope for Canadian manufacturing comes at a time of increasing optimism in many developed countries and a heightened awareness of the importance that manufacturing plays in wealth creation. Much of this optimism centres on the "reshoring" of production to developed countries from China and other developing nations. While it remains unclear to what extent reshoring is occurring in Canada, the sector's performance has been encouraging of late.

And there looks to be more good news ahead. Canadian factories are well positioned to take advantage of accelerating growth in the U.S. and other export markets in the coming months.

A robust manufacturing sector is critical to Canada's economic well-being. It's still the largest employer in the country, providing not only well-paid jobs in factories, but also with suppliers and in the offices of accountants, lawyers and other service providers. Manufacturing is also an important source of innovation in our economy, accounting for half of all R&D spending in Canada.

The impact of the recession was brutal, especially because it was coupled with a rising Canadian dollar and increasing competition from countries such as China and Mexico. But now, the surviving companies are much better equipped to compete both here and abroad, and are benefitting from a decline in the dollar.

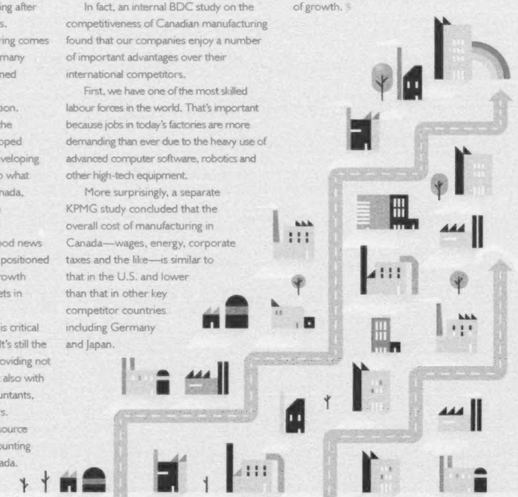
In fact, an internal BDC study on the competitiveness of Canadian manufacturing found that our companies enjoy a number of important advantages over their international competitors.

First, we have one of the most skilled labour forces in the world. That's important because jobs in today's factories are more demanding than ever due to the heavy use of advanced computer software, robotics and other high-tech equipment.

More surprisingly, a separate KPMG study concluded that the overall cost of manufacturing in Canada—wages, energy, corporate taxes and the like—is similar to that in the U.S. and lower than that in other key competitor countries including Germany and Japan.

As well, productivity in the sector has been on the rise since the recession, outpacing productivity gains in the economy as a whole during that period.

It's been a difficult five years for Canada's manufacturers, but there's every reason to believe this crucial sector is entering a new season of growth. $



GROWING BEYOND YOUR TURNING POINT

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